

Message Text

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ACTION L-01

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LIMDIS

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SUBJECT: CERRO PENSION PROBLEM

REF: LIMA 9252

1. EMBASSY OFFICER HAS HAD OPPORTUNITY TO DISCUSS CERRO PENSION PROBLEM WITH HAROLD GARDENER OF INTERNATIONAL INDUSTRIAL SERVICES (ISS), A SUBSIDIARY OF CERRO CORPORATION. GARDENER CLARIFIED THAT THREE TYPES OF PAYMENTS TO DEPARTING EXPATRIATE EMPLOYEES OF CENTROMIN ARE INVOLVED:

A. SERVICE TIME INDEMINITY, OR SEVERANCE - THIS IS LUMP SUM PAYMENTS ACCRUED AS A RESULT OF WHAT ARE IN EFFECT DEDUCTIONS FROM THE EMPLOYEE'S SALARY OVER THE YEARS HE HAS WORKED FOR CERRO DE PASCO/CENTROMIN. CENTROMIN DEPOSITS SOLES IN BANCO DE LA NACION WHICH IN TURN SHOULD MAKE DOLLAR PAYMENT TO EMPLOYEE. HOWEVER, A GOP SUPREME DECREE LIMITS THE AMOUNTS OF SUCH PAYMENTS IN ANY ONE YEAR TO 1.5 MILLION SOLES, AND RECENTLY BANCO DE LA NACION HAS BEEN UNABLE OR UNWILLING TO EXCHANGE EVEN THIS AMOUNT. SYSTEM THAT HAS BEEN WORKED OUT IS THAT EMPLOYEE RECEIVES PART OF SEVERANCE PAY IN DOLLARS FROM BANCO DE LA NACION AND EXECUTES POWER OF ATTORNEY WITH IIS TRANSFERRING TO IIS ALL RIGHT TO REMAINING SOLES ON DEPOSIT. IIS OR CERRO CORP. THEN PAYS EMPLOYEE EQUIVALENT AMOUNT IN DOLLARS.

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B. CERRO PENSION PLAN - UNDER THIS PLAN, WHICH WE UNDER-

STAND HAS BEEN TAKEN OVER BY CENTROMIN, THE EMPLOYEE RECEIVES REGULAR PAYMENTS IN DOLLARS AFTER APPROVAL BY ENTITIES OF THE GOP INVOLVED. THIS PLAN IS QUITE MODEST, AND ACCORDING TO GARDENER PAYMENTS UNDER IT WOULD NOT EXCEED THOSE ALLOWED BY THE GOP SOCIAL SECURITY LAWS AND REGULATIONS. THE GOP HAS NOT YET APPROVED ANY SUCH PAYMENTS. GARDENER BELIEVES THIS IS PROBABLY ATTRIBUTABLE TO BUREAUCRATIC DELAY AND DOES NOT EXPECT THAT GOP WILL IN THE END WELSH ON THIS COMMITMENT. IN MEANTIME, EMPLOYEES AFFECTED EXECUTE ANOTHER SERIES OF DOCUMENTS WITH IIS BY MEANS OF WHICH THEY CAN RECEIVE DOLLAR PAYMENTS FROM CERRO PENDING PAYMENT BY THE GOP.

C. PROCEEDS FROM PERSONAL ASSETS - MANY CERRO/CENTROMIN EXPATRIATES HAVE CONSIDERABLE PERSONAL ASSETS IN PERU WHICH THEY WOULD LIKE TO LIQUIDATE, REPATRIATING THE PROCEEDS. CERRO HAS NOT AND WILL NOT BECOME INVOLVED IN THIS MATTER. EMPLOYEES ARE EXPECTED TO MAKE SUCH ARRANGEMENTS AS THEY CAN.

2. GARDENER'S PRINCIPAL CONCERN CENTERS ON THE ISSUANCE OF SEVERANCE PAY. HE BELIEVES THE GOP SHOULD RECOGNIZE ITS OBLIGATIONS AND MAKE TOTAL PAYMENT WITHOUT DELAY, PARTICULARLY SINCE THE AMOUNTS INVOLVED WERE IN THE FIRST INSTANCE GENERATED BY FOREIGN EXCHANGE SALARY PAYMENTS TO THE EMPLOYEES. HE IS ALSO WORRIED BECAUSE CERRO'S RELATIONSHIP WITH ITS EX-CERRO DE PASCO EMPLOYEES BECOMES STEADILY MORE TENUOUS WITH THE PASSAGE OF TIME, PARTICULARLY SINCE CERRO CORP. IS APPARENTLY UNDERGOING SOME FORM OF REORGANIZATION.

3. GARDENER CONTINUES TO BELIEVE EMBASSY SHOULD MAKE REPRESENTATIONS TO GOP AND SAYS HE HAS KEPT SIMILARLY IN TOUCH WITH BRITISH AND CANADIAN EMBASSIES TO INFORM THEM OF POSSIBLE PLIGHT OF THEIR NATIONALS WORKING FOR CENTROMIN. HE BELIEVES APPROACH SHOULD BE MADE ON COMPASSIONATE GROUNDS AND DOES NOT BELIEVE GOP SHOULD BE TOLD OF CERRO'S INTERIM ARRANGEMENTS WITH RETIREES. HE WAS NOT PERSUADED BY EMBASSY OFFICER SUGGESTION THAT GOP IS PROBABLY WELL AWARE OF ARRANGEMENT AND MIGHT CONSIDER EMBASSY DISINGENUOUS IF IT APPEARED WE WERE ATTEMPTING TO CONCEAL IT.

4. IN CIRCUMSTANCES, WHILE WE ARE MOST SYMPATHETIC TO POSITION LIMITED OFFICIAL USE

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OF CENTROMIN EMPLOYEES AND BELIEVE CERRO SHOULD BE ASSISTED IN ITS EFFORTS TO ENSURE THEY SUFFER NO LOSS, WE DO NOT REPEAT NOT THINK WE SHOULD APPROACH GOP ON BASIS SUGGESTED BY GARDENER. WE WILL CONTINUE TO BE IN TOUCH WITH HIM, AND IF HE THINKS IT WOULD BE USEFUL TO TALK TO GOP, MAKING AVAILABLE ALL FACTS AS KNOWN TO US, WE WILL HAVE NO HESITATION IN DOING SO. WE THINK THAT ALL INVOLVED SHOULD APPRECIATE THAT THERE IS SOME DANGER THAT GOP WILL INDULGE IN EVEN FURTHER FOOTDRAGGING

IF THEY CONCLUDE THAT ANY ACTIONS WE ENCOURAGE THEM TO TAKE
WOULD BE PRIMARILY IN INTEREST OF CERRO AND/OR USG.

5. IN MEANTIME, THERE IS ANOTHER MATTER IN WHICH AMCIT
EMPLOYEES OF CENTROMIN HAVE REQUESTED OUR ASSISTANCE. SOME
WERE APPARENTLY MAKING PAYMENTS TO U.S. SOCIAL SECURITY
SYSTEM AS EMPLOYEES OF CERRO DE PASCO. THEY WOULD LIKE TO
CONTINUE TO MAKE SUCH PAYMENTS AS EMPLOYEES OF CENTROMIN,
THUS MAINTAINING THEIR EQUITY. HOWEVER, AFTER CONSIDERABLE
CORRESPONDENCE ON THIS SUBJECT, IT APPEARS THAT THEY CANNOT
DO SO BECAUSE CENTROMIN DOES NOT FIT THE DEFINITION OF AN
ELIGIBLE EMPLOYER. THE U.S. EMPLOYEES SAY THEY BELIEVE THAT
IF THEY WERE SELF-EMPLOYED THEY COULD CONTINUE TO PAY INTO
THE SYSTEM AND THEY WONDER IF AN EXCEPTION OR RULING MIGHT BE
MADE TO PERMIT THEM TO MAKE PAYMENTS, JUST AS THOUGH THEY
WERE SELF-EMPLOYED. WE PROMISED TO BRING THIS MATTER TO
ATTENTION OF DEPARTMENT. WE URGE THAT, IN VIEW OF UNUSUAL
BACKGROUND OF THIS CASE, USG MAKE EVERY EFFORT TO BE OF
ASSISTANCE. WE ARE POUCHING COPIES OF ALL CORRESPONDENCE,
WHICH IS SELF EXPLANATORY, TO GANTZ AND ARA/EP.
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